



INDONESIA: ENERGY HIGHLIGHTS JANUARY 2006

Summary

- High global prices during 2005 increased the value of Indonesia's oil and gas exports by 14.7 percent to USD 16.7 billion despite a fifth consecutive year of falling production.
- Easing global fuel prices during December prompted state oil company Pertamina to cut prices for industrial and consumer fuel.
- Pertamina also announced plans for reduced petroleum imports for February due to lower demand partly the result of October 1, 2005 fuel price hikes.
- Effective January 1, state gas company PGN hiked its prices by 11 percent for industrial users.
- On January 20, eight petroleum firms signed gas agreements worth USD 2.5 billion.
- Upcoming routine maintenance of a power plant in Sumatra will cause two months of rolling blackouts in Aceh and North Sumatra, according to state electricity company PLN.
- On January 12, the Indonesian oil and gas firm Medco began shipping oil from its Tiaka field in Central Sulawesi.
- PLN has requested higher electricity tariffs to cover its operating deficit.

Note: This report uses an exchange rate of 1 USD = Rp 9,395

2005 Oil and Gas Roundup

Despite falling oil and gas production, the Ministry of Energy and Mineral Resources reported Indonesia's 2005 oil and gas exports rose to USD 16.7 billion, up 14.7 percent from 2004. High global prices accounted for the increases in value of crude oil and condensate, liquefied natural gas (LNG) and liquefied petroleum gas (LPG) exports. Crude and condensate exports fell to 157.5 million barrels, compared with 178.9 million

barrels in 2004. However, the value of Indonesia's oil and condensate exports leapt to USD 8.0 billion compared with USD 6.5 billion 2004. Crude oil production dropped to 1.06 million barrels per day (mmbpd), a decrease of three percent from 2004's average of 1.09 mmbpd and short of the GOI's 2005 target of 1.075 million. Meanwhile LNG exports rose in value to USD 8.2 billion from USD 7.7 billion in 2004, despite a slight decline in volume. LPG exports likewise jumped almost 14 percent to USD 405.6 million from USD 356.8 million in 2004, with volumes of about 1 billion tons in both years. Rising energy prices also meant a bigger bill for imported fuel. The value of crude oil imports rose 19 percent to USD 6.9 billion compared with 2004 even though volume declined 14 percent to 126.18 million barrels.

Table 1: Preliminary 2005 Oil and Gas Statistic
(Value in USD, except as noted)

	2004	2005 (1)	Percent Change
Oil			
Production (bpd)	1.09	1.06	-2.8
Export			
Volume (mmboe)	178.9	157.5	-12.0
Value	6,472	8,053	24.4
Import			
Volume (mmboe)	148	126	-14.9
Value	5,791	6,919	19.5
Gas			
Production (bpd)	7.9	8.1	2.5
Export Volume			
LNG (mmbtu)	1,322	1,305	-1.3
LPG (million tons)	1,034	1,028	-0.6
Export Value			
LNG	7,722	8,226	6.5
LPG	357	406	13.7

(1) estimates

mmboe = million barrels of oil equivalent

mmcf/d = million cubic feet per day

mmbtu = million british thermal unit

Source: Ministry of Energy and Mineral Resources and Coordinating Ministry for the Economy

Pertamina Cuts Fuel Prices in Indonesia

Falling global oil prices prompted state oil and gas company Pertamina to cut prices for its non-subsidized, higher-grade transportation and industrial fuels in December 2005 and January 2006. On average, fuel prices in January decreased by 7 percent and 6 percent from December prices for transport and industry fuel respectively. Owing to the narrowing price gaps with regular subsidized fuel, Pertamina reported increases in December sales of Pertamax and Pertamax Plus of 25 and 93 percent, respectively. Currently higher-grade octane Pertamax fuel costs only Rp 500 (USD 5 cents) more than regular automotive fuel.

Table 2: Non-Subsidized Fuel Price Changes

Fuel Type	Nov-05	Dec-05	Jan-06	Percent Change
Transport				
Pertamax	5,700	5,400	5,000	-7.4
Pertamax Plus	5,900	5,600	5,200	-7.1
Pertamina DEX	6,300	5,900	5,500	-6.8
Industry				
Premium	5,890	5,150	4,780	-7.2
Kerosene	6,480	5,550	5,320	-4.1
Gasoil	6,140	5,340	4,950	-7.3
Diesel Oil	5,940	5,180	4,810	-7.1
Fuel Oil	3,870	3,680	3,480	-5.4

*Percent change between December 2005 and January 2006.

PGN Hikes Gas Prices 11 Percent

State gas company PT Perusahaan Gas Negara (PGN) raised gas prices for industrial users by 11 percent to USD 5/mmbtu effective January 1. The January gas price hike is the second since October 15, 2005, when PGN raised the price of gas for industries to USD 4.50/mmbtu from USD 3.90. PGN said it has no plans to raise prices again in 2006. PGN said it expects its 2007 sales revenue to quadruple due to higher gas prices and the development of the South Sumatra – West Java pipeline network that will bring 650 million cubic ft gas per day from Sumatra to Java. The company estimated its 2005 sales would increase to Rp 5.25 trillion (USD 560 million) from Rp 4.46 trillion (USD 475 million) in 2004. PGN reported gas sales of 310 million mmcf during 2005.

Gas Contract Signings

On January 20, energy firms operating in Indonesia signed new or amended gas sales agreements with state power company PLN and other industrial users. The contracts have a combined total volume of 877 trillion British Thermal Units (TBTU). The total reported value of the contracts is USD 2.5 billion with terms varying from six months to twenty years.

Table 3: Gas Contract Signing

Supply From	Supply To	Contract Volume (TBTU)	No. Years	Contract Type
Medco E&P Indonesia	PLN	62.5	7	GSA
Medco E&P Indonesia	MEPPO-GEN	30.1	8	GSA
Petrochina International	Tanjung Jabung	2.5	7	GSA
	Power			
Lapindo Brantas	Indogas Kriya	1.6	5	GSA
Perusda Benuo Taka	Dewi	0.2	0.5	GSA
Kodeco Energi	Pertamina	171.6	8	GSA*
Elnusa	PLN	135.5	20	HOA
Medco E&P Lematang	Medco Power	139	10	HOA
	PGN			

Note: * Contract amendment

Pertamina Cuts February Petroleum Imports

Slowing fuel consumption prompted Pertamina to announce on January 25 that it would cut February petroleum imports to 7.6 million barrels, down from 8.4 million barrels in January. Fuel imports peaked in September 2005 at 17 million barrels and have dropped steadily since the GOI hiked subsidized fuel prices on October 1, 2005. Pertamina reported current daily fuel consumption is 15 percent below its target of 1.75 million kiloliters (KL). Pertamina currently maintains 27 days worth of fuel reserves but said it intends to reduce that level to between 20 and 22 days because of lower demand.

Blackouts in Aceh and North Sumatra

Starting January 11, state power company PLN said it began cutting power in Aceh and North Sumatra for two hours a day, again leaving residents in the dark after a year of regular blackouts in 2005. The rolling blackouts will occur during peak hours (6 – 10 pm) and continue for about two months while the company performs routine maintenance work on a generator in Belawan. Although PLN said the blackouts are not

expected to impact the rest of Sumatra, it warned of future outages as it struggles to meet rising power demand of about 7 percent annually. PLN intends to partially augment its power supplies to the affected areas by diverting power from the new 40 MW hydro power plant PLTA Lau Renun II. PLN said it plans to give residential areas priority in the event of blackouts during peak hours but that it will cut power in residential areas in favor of businesses at all other times.

Medco Starts Shipping Oil From Tiaka

Indonesia's largest publicly traded oil and gas company PT Medco Energi Internasional (Medco) shipped its first oil on January 12 from Tiaka field, offshore Central Sulawesi. On that day, a tanker with 75,000 barrels of crude sailed for PT Pertamina's refinery in Plaju, South Sumatra. Pertamina and Medco jointly operate the field, which currently produces 1,850 bpd. Medco hopes to raise production to 4,000 bpd by the end of 2006 and reach peak production of 5,000 bpd by 2008. Medco plans to drill three more production wells this year in addition to the existing two.

GOI Mulls Rise in Electricity Tariffs

Participants at a January 18 limited cabinet meeting reportedly assessed a possible electricity tariffs hike of 18.4 - 48.3 percent during the first half of 2006. Given the sharp hike in diesel fuel prices in 2005, PLN faces a deficit in 2006 in excess of USD 1.37 billion and the company hopes to use the tariff increases to close that gap. Coordinating Minister for Economics Boediono said that a rate hike of 50 percent would be required to completely erase the electric company's deficit, but added that the GOI has not yet decided how big the increase will be. A final decision is pending a Ministry of Finance requested audit of PLN's cost structure. The October 2005 fuel price increases hit energy intensive industrial sectors particularly hard, and they have been vocal in their opposition to higher electricity prices.